

# CVT Prepaid Solutions, Inc.

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January 10, 2008

*Via Overnight Delivery and Electronic Filing*

Ms. Marlene H. Dortch, FCC Secretary  
Federal Communications Commission  
9300 East Hampton Drive  
Capitol Heights, MD 20743  
Attention: Office of the Secretary

Received & Inspected

FORMER FILE COPY ORIGINAL JAN 11 2008

FCC Mail Room

**RE: CC Docket No. 96-128; 2007 Audit Report and Letter of Attestation of CVT Prepaid Solutions, Inc.**

Dear Ms. Dortch:

Pursuant to 47 C.F.R. §64.1320(f), enclosed on behalf of CVT Prepaid Solutions is the 2007 Management Report on Compliance with Applicable Requirements and Letter of Attestation by an Independent Third-Party Auditor concerning CVT Prepaid Solutions' compliance with the Commission's Payphone Compensation Rules.

Pursuant to 47 C.F.R. §64.1320(e), following is the contact information for persons responsible for handling payphone compensation and for resolving disputes with payphone service providers.

Primary Contact: Laura Pettinato  
Vice President – Domestic Carrier Services  
Office: 516-773-0200 x1112  
Email: Laura.Pettinato@CVTPrepaid.com

Secondary Contact: William Hinton  
Chief Operating Officer  
Office: 516-773-0200 x1185  
Email: William.Hinton@CVTPrepaid.com

In accordance with the Commission's rules, this Letter of Attestation and Management Report are being provided to each Payphone Service Provider for which CVT Prepaid Solutions completes calls and with each facilities-based long distance carrier from which it receives payphone calls.

Please acknowledge receipt of this filing by returning a date stamped copy of the enclosed cover letter duplicate in the return self-addressed, stamped envelope that is provided for this purpose. Any questions regarding this filing may be addressed to the undersigned by calling 516-773-0200 or via email at Leonard.Carone@CVTPrepaid.com.

Sincerely,



Leonard Carone  
Chief Financial Officer

No. of Copies rec'd 042  
List ABCDE

40 Cuttermill Road, Suite 500  
Great Neck, NY 11021  
516-773-0200 516-773-8098

**Federal Communications Commission**

Received &amp; Inspected

The FCC Acknowledges Receipt of Comments From ...

JAN 11 2008

**CVT Prepaid Solutions, Inc.**

...and Thank You for Your Comments

FCC Mail Room

**Your Confirmation Number is: '2008110897704 '****Date Received: Jan 10 2008****Docket: 96-128****Number of Files Transmitted: 2****DISCLOSURE**

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**Attestation of the Independent Auditor  
To the Management of  
CVT PrePaid Solutions, Inc.  
Great Neck, New York, USA**

JAN 11 2008

FCC Mail Room

In the matter of:

Conformance to the Pay Telephone  
Reclassification & Compensation Provisions of  
The Telecommunications Act of 1996  
FCC 03-235

August 2007

**Letter of Attestation**

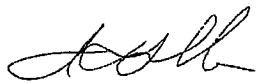
We have examined management's assertion that it believes that, subsequent to June, 2006, and, as of July, 2007, CVT PrePaid Solutions' controls over its review methods, procedures and systems deployed for compliance with FCC Dial-Around Compensation (DAC) requirements, are effective in providing reasonable assurance that FCC reporting requirements are properly followed, summarized, and reported to Payphone Service Providers (PSP's). This assertion is included in the accompanying report by management titled, "Report of Management on Compliance with Applicable Requirements". CVT PrePaid Solutions' management is responsible for maintaining effective controls over its measurement and reporting function. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in general accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA), but, primarily with those of GAO Government Accounting Standards (GAGAS) and, as required, included obtaining an understanding of the controls over review methods, procedures and systems deployed by management for compliance with FCC requirements, testing, and evaluating the design and operating effectiveness of those controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in controls, errors or fraud may occur, and not be detected. Also, projections of any evaluation of controls over the measurement and reporting function to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion, that it believes that, as of June 30, 2006, CVT PrePaid Solutions' controls over its measurement and reporting function as it relates to review methods, procedures and systems deployed by management for compliance with FCC requirements are effective in providing reasonable assurance that FCC requirements are properly recorded, summarized and reported, is fairly stated, in all material respects, based on the criteria specified in management's report.

This report is intended for compliance purposes, and, as such, the information contained herein and its use is solely at the discretion of CVT PrePaid Solutions' management.

  
By: \_\_\_\_\_, Principal

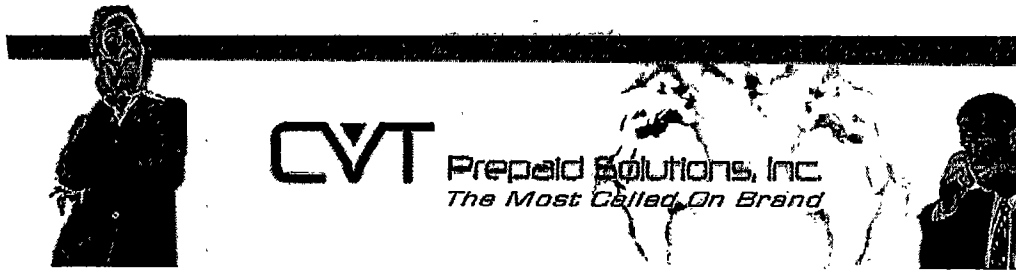
I. Nicholas Phelan

August 30, 2007

Princeton Associates  
Phoenix, Arizona, USA

JAN 11 2008

FCC Mail Room



**CVT PrePaid Solutions, Inc.**

**Management Report on Compliance with  
Applicable Requirements  
of the  
FCC's Rules and Regulations**

Section 64.1310(a)(1)  
In the Matter of  
the Pay Telephone Reclassification  
and Compensation Provisions of  
The Telecommunications Act of 1996

August, 2007

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## I. INTRODUCTION

Since the implementation of the Telecommunications Act of 1996, there have been ongoing discussions among carriers ("Inter Exchange Carriers"<sup>1</sup> and "Completing Carriers") and payphone service providers (PSPs) as to how best to ensure PSPs are fairly compensated for all completed coinless calls originating from their payphones.

On September 30, 2003, the Federal Communications Commission (FCC) released its Report and Order in CC Docket No. 96-128 (FCC 03-235) titled *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*. In this latest ruling, the FCC adopted new payphone compensation rules.

These rules place responsibility on the completing carrier to establish a call-tracking system and to compensate PSPs for coinless payphone-originated calls that are completed by that carrier. Carriers are required to

- establish call tracking systems,
- have an independent third-party auditor attest that the system accurately tracks payphone calls to completion, and
- pay PSPs directly, based on the carrier's own call tracking data.

The FCC rules also define new reporting requirements for intermediate carriers, although no attestation is required.

The requirements set forth by the FCC take effect the first day of the first full quarter after the new rules became effective. These rules became effective July 1, 2004.

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<sup>1</sup> IXC's Inter-Exchange Carrier

**CVT PrePaid Solutions, Inc.**  
Information taken completely from [www.CVTPrePaid.com](http://www.CVTPrePaid.com)

*CVT Prepaid Solutions is a provider of enhanced prepaid solutions with our primary focus on servicing the needs of our customers and their distributors. We exclusively offer professional and manufacturing services for both domestic and international prepaid calling cards. CVT Prepaid Solutions is advancing the prepaid telecom industry with its visionary value-driven approach, built on consistently delivering operational excellence, unmatched purchasing strength and pioneering marketing differentiation. Through our extensive distributor network, CVT Prepaid Solutions markets more than 350 brands of prepaid cards, available at more than 40,000 points of sale around the US. A key part of our CVT Prepaid Solutions visionary prepaid calling model is its sophisticated distributor strategy. In 2004, our distributors utilized a combined 2.5 billion minutes alone on a prepaid basis.*



## II. BACKGROUND

Prior to the new rules becoming effective, carriers were required to follow the rules as set forth in the FCC's previously issued Second Order on Reconsideration (CC Docket No. 96-128), released April 5, 2001 "New rules ensure competing payphone providers are compensated for coinless calls". For many carriers, current network and billing system processes and procedures implemented to comply with the Second Order of Reconsideration may already support compliance with portions of the FCC's latest ruling. However, when the new rules became effective, carriers were required to implement a more detailed level of data gathering, analysis, storage, and reporting, as well as monitor compliance with the new rules.

Each completing carrier will be required to file a report from the independent auditor regarding the completing carrier's compliance with the FCC's rules by the effective date of such rules. Generally consistent with standards established by the American Institute of Certified Public Accounts (AICPA) and/or USG GAO GAGAS<sup>2</sup> for attestation engagements, the System Audit Report shall consist of:

- (1) The completing carrier's representation concerning its compliance, and
- (2) The independent auditor's opinion concerning the completing carrier's representation of compliance.<sup>3</sup>

This report must be filed with the FCC Commission's Secretary in CC Docket No. 96-128 and made available to each PSP<sup>4</sup> for which the completing carrier completes calls and with each facilities-based long distance carrier from which it receives payphone calls.<sup>5</sup>

<sup>2</sup> Standards for financial audits issued by the Comptroller General of the United States through the U.S. Government Accountability Office

Section 64.1300:

(a) Except as provided herein, the first facilities-based interexchange carrier to which a completed coinless access code or subscriber toll-free payphone call is delivered by the local exchange carrier shall compensate the payphone service provider for the call at a rate agreed upon by the parties by contract.

Section 26.1310:

(a) It is the responsibility of the first facilities-based interexchange carrier to which a compensable coinless access code or subscriber toll-free payphone call is delivered by the local exchange carrier to track, or arrange for the tracking of, each such call so that it may accurately compute the compensation required by Section 64.1300(a). The first facilities-based interexchange carrier to which a compensable coinless payphone call is delivered by the local exchange carrier must also send back to each payphone service provider at the time dial around compensation is due to be paid a statement in computer readable format indicating the toll-free and access code numbers that the LEC has delivered to the carrier, and the volume of calls for each toll-free and access number each carrier has received for each of that payphone service provider's payphones, unless the payphone service provider agrees to other arrangements.

Section 64.1310

(b) The first facilities-based interexchange carrier to which a compensable coinless payphone call is delivered by the local exchange carrier may obtain reimbursement from its reseller and debit card customers for the compensation amounts paid to payphone service providers for calls carried on their account and for the cost of tracking compensable calls. Facilities-based carriers and resellers may establish or continue any other arrangements that they have with payphone service providers for the billing and collection of compensation for calls subject to Section 64.1300(a), if the involved payphones service providers so agree.

<sup>4</sup> PSP: Payphone Service Provider – owner of pay phone

<sup>5</sup> Please see Appendix B, 64.1310 Payphone compensation procedures.

### III. – FCC REQUIREMENTS for COMPLIANCE

The FCC has set down specific directives for reporting compliance with the rules.

#### *§ 64.1320 Payphone Call Tracking System Audits.*

*(a) As a precondition to tendering payment pursuant to section 64.1310(a), all Completing Carriers must undergo a system audit of their section 64.1310(a)(1) tracking system by an independent third party auditor whose responsibility shall be, using audit methods approved by the American Institute for Certified Public Accountants, to determine whether the call tracking system accurately tracks payphone calls to completion.*

*(b) By the effective date of these rules, each Completing Carrier in paragraph (a) must file an audit report from the auditor (the "System Audit Report") regarding the Completing Carrier's compliance with section 64.1310(a)(1) as of the date of the audit with the Commission's Secretary in CC Docket No. 96-128 and with each payphone service provider for which it completes calls and with each facilities-based long distance carrier from which it receives payphone calls.*

*(c) The Completing Carrier must comply with, and the third-party auditor must verify, the Completing Carrier's compliance with the following factors in establishing a call tracking system pursuant to section 64.1310(a)(1):*

- (1) Whether the Completing Carrier's procedures accurately track calls to completion;*
- (2) Whether the Completing Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls;*
- (3) Whether the Completing Carrier has effective data monitoring procedures;*
- (4) Whether the Completing Carrier adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability;*
- (5) Whether the Completing Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers;*
- (6) Whether the Completing Carrier has procedures to incorporate call data into required reports;*
- (7) Whether the Completing Carrier has implemented procedures and controls needed to resolve payphone compensation disputes;*
- (8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial; and*
- (9) Whether the Completing Carriers has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to:*
  - (i) identify calls originated from payphones;*
  - (ii) identify compensable payphone calls;*
  - (iii) identify incomplete or otherwise noncompensable calls; and*
  - (iv) determine the identities of the payphone service providers to which the Completing Carrier owes compensation.*

*(d) Consistent with standards established by the American Institute of Certified Public Accounts for attestation engagements, the System Audit Report shall consist of:*

- (1) the Completing Carrier's representation concerning its compliance; and*
- (2) the independent auditor's opinion concerning the Completing Carrier's*

representation of compliance. The Completing Carrier's representation must disclose

- (i) its criteria for identifying calls originating from payphones;
- (ii) its criteria for identifying compensable payphone calls;
- (iii) its criteria for identifying incomplete or otherwise noncompensable calls;
- (iv) its criteria used to determine the identities of the payphone service providers to which the completing carrier owes compensation;
- (v) the identity of any clearinghouses the Completing Carrier uses; and
- (vi) the types of information that the Completing Carrier needs from the payphone service providers in order to compensate them.

(e) At the time of the filing of System Audit Report with the Commission, the Completing Carrier shall file with the Commission's Secretary, and the facilities-based long distance carriers and payphone service providers identified in section 64.1320(b), a statement that includes the name of the Completing Carrier, and the name, address and phone number for the person or persons responsible for handling the Completing Carrier's payphone compensation and for resolving disputes with payphone service providers over compensation, and this statement shall be updated within 60 days of any changes of such persons.

(f) One year after the filing of the System Audit Report, and annually thereafter, the Completing Carrier shall engage an independent third-party auditor to:

(1) verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or

(2) if a material change has occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria set forth in subparagraph (c). The Completing Carrier must fully disclose any material changes concerning its call tracking system in its representation to the auditor. The Completing Carrier shall file and provide copies of all System Audit Reports pursuant to the procedures set forth in subparagraph (b).

(g) Subject to protections safeguarding the auditor's and the Completing Carrier's confidential and proprietary information, the Completing Carrier shall provide, upon request, to the payphone service provider for inspection any documents, including working papers, underlying the System

The management of CVT PrePaid Solutions is responsible for establishing and maintaining adequate systems and processes for its payphone call tracking system, and for ensuring CVT PrePaid Solutions' compliance with the applicable requirements of Section 64.1310(a)(1) of the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996* as referenced above

CVT PrePaid Solutions management has performed an evaluation of the company's compliance with the applicable requirements of CC Docket No. 96-128 using the criteria in 64.1320(c) as the framework for the evaluation.

Based on this evaluation, we assert that, as of June 30, 2007, CVT PrePaid Solutions complies with all applicable requirements of CC Docket No. 96-128.

As required, we have prepared the required assertion statements relating to CVT PrePaid Solutions' Payphone Call Tracking Systems.

CVT PrePaid Solutions is acknowledged as the "Completing Carrier" in the following call scenarios:

- Call Type 1 (Completed by CVT PrePaid Solutions) - Received via IXC's
- Call Type 2 (Completed by CVT PrePaid Solutions) - Received via PSP contract
- Call Type 3 (Completed by CVT PrePaid Solutions) - Received via LEC Feature Group

All assertions for CVT PrePaid Solutions are from the point CVT PrePaid Solutions has visibility to the call tracking data.

CVT PrePaid Solutions has no ACA's (Alternative Compensation Agreements)<sup>6</sup> as defined by the rules with any PSP as of June, 2007.

CVT PrePaid Solutions receives some PSP calls via I-LEC. However, as CVT PrePaid Solutions has no ACA's in place, callers using local PSP-provided payphones (and, thus, not using dial-around services) must deposit whatever (cash/coin) amount the PSP has programmed into the individual payphone in order to make a local call, and, ultimately, to connect to CVT PrePaid Solutions. Those calls are not a consideration, and are not required to be considered, in this audit.

All potentially-compensable calls received at CVT PrePaid Solutions' switches are delivered by CVT PrePaid Solutions' IXC's.

CVT PrePaid Solutions continues to evaluate the option to use an industry billing clearing house to compensate PSP's, but, as of June 30, 2007, it has not entered into any such agreement.

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<sup>6</sup> The rules also permit Completing Carriers and PSPs to opt out of the rules. A Completing Carrier may employ alternative reporting and compensation arrangements, other than those mandated by the rules, so long as the PSP agrees to these arrangements.

#### **IV. MANAGEMENT ASSERTIONS**

To comply with FCC regulations, CVT PrePaid Solutions makes the following assertions, where CVT PrePaid Solutions is identified as the Completing Carrier:

**FCC compliance § 64.1320(c) Subsection (1) – Whether the Completing Carrier's procedures accurately track calls to completion**

- CVT PrePaid Solutions' definition of the "per-call rate" of \$0.24 is in compliance with prior (as of July 2004) FCC rules for compensation for those periods.
- CVT PrePaid Solutions' definition of the "per-call rate" of \$0.494 is in compliance with current (as of September 27, 2004) FCC rules.
- CVT PrePaid Solutions' definition of a "Compensable Call" (payphone-originated call that completes over CVT PrePaid Solutions' network in which CVT PrePaid Solutions identifies itself as the Completing Carrier) is in compliance with the FCC rules<sup>7</sup>.
- CVT PrePaid Solutions' definition of a "Completed Call" (call that is answered by the called party) is in compliance with the FCC rules.
- CVT PrePaid Solutions' systems, or its contracted partner systems, are able to generate the following reports, on a monthly, quarterly, or on-demand, basis:
  - A list of the toll free and access numbers dialed, and completed, from each PSP's payphones, with the ANI for each payphone.
  - The volume of calls for each toll free, and access, number that was completed by CVT PrePaid Solutions.
  - The names, addresses, and phone numbers of the persons responsible for handling CVT PrePaid Solutions' payphone compensation.
  - The CIC code, or Trunk routing group, of all facilities based LD carriers that routed calls to CVT PrePaid Solutions categorized according to toll-free and access code numbers.
- CVT PrePaid Solutions' data storage requirement is in compliance with FCC rules.\*
- CVT PrePaid Solutions' systems procedures for identifying PSPs are complete and have accurate rules.
- CVT PrePaid Solutions' procedures for validating payphone ANIs are complete and have accurate rules.

**FCC compliance § 64.1320(c) subsection (2) – Whether the Completing Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.**

- CVT PrePaid Solutions has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone-compensated calls rules.
- CVT PrePaid Solutions has designated personnel responsible for the development and

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<sup>7</sup> See Appendix for definitions

- maintenance of systems used in the collection and reporting of payphone call data.
- CVT PrePaid Solutions has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data rules.
- CVT PrePaid Solutions has designated personnel who are responsible for developing compensation-tracking reports.
- CVT PrePaid Solutions has designated personnel who are responsible for payphone compensation dispute resolution.

**FCC compliance § 64.1320(c) subsection (3) – Whether the Completing Carrier has effective data monitoring procedures.**

- CVT PrePaid Solutions has the ability to prepare monthly, quarterly, or ad hoc, reports on payphone call counts, PSP identities and numbers-dialed.
- CVT PrePaid Solutions performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- CVT PrePaid Solutions has the ability to produce trend reports of excluded calls.
- CVT PrePaid Solutions performs fraud-monitoring procedures to identify potentially illegitimate payphones.
- CVT PrePaid Solutions has the ability to investigate and resolve PSP disputes.

**FCC compliance § 64.1320(c) subsection (4) – Whether the Completing Carrier adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability**

- CVT PrePaid Solutions has documented security controls in place to control access to, and monitor, call-tracking data.
- CVT PrePaid Solutions has documented security controls in place to control access to, and monitor, the payment disbursement system rules.
- CVT PrePaid Solutions has a department responsible for making software changes that affect payphone compensation.
- CVT PrePaid Solutions has established protocols to implement and test software changes affecting payphone compensation.
- CVT PrePaid Solutions has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

**FCC compliance § 64.1320(c) subsection (5) - Whether the Completing Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.**

- CVT PrePaid Solutions utilizes switch data and industry standard SQL<sup>8</sup> to populate the date,

<sup>8</sup> SQL (Structured Query Language) A specialized language for sending queries to databases. Most industrial-strength data bases and many smaller database applications can be addressed using SQL. Each specific application will have its own slightly different version of SQL implementing features unique to that application, but all SQL-capable databases support a common subset of SQL strength and many smaller database applications can be addressed using SQL. Each specific application will have its own slightly different version of SQL implementing features unique to that application, but all SQL-capable databases support a common subset of SQL

- originating ANI, dialed number, and aggregate data into a Compensable Call File.
- CVT PrePaid Solutions uses payphone specific identifiers (info digits or ANI lists) to identify a compensable payphone call record.
- CVT PrePaid Solutions applies validation and control procedures to compile the Compensable Call File.

**FCC compliance § 64.1320(c) subsection (6) - Whether the Completing Carrier has procedures to incorporate call data into required reports.**

- CVT PrePaid Solutions' SQL systems, or its contracted partner systems, are able to generate the following reports on a quarterly basis:
  - A list of the toll free and access numbers dialed and completed from each PSP's payphones, along with the ANI for each payphone except as noted in the details section.
  - The volume of calls for each toll free and access number that was completed by CVT PrePaid Solutions' switches.
  - The CIC code or Trunk routing group of all facilities based LD carriers that routed calls to CVT PrePaid Solutions' switches categorized according to toll-free and access code numbers
- CVT PrePaid Solutions possess a valid list of payphone owners identified by ANI.
- A system listing the names, addresses, and phone numbers of the person(s) responsible for handling payphone compensation.

**FCC compliance § 64.1320(c) subsection (7) - Whether the Completing Carrier has implemented procedures and controls needed to resolve payphone compensation disputes.**

- CVT PrePaid Solutions maintains required call tracking data (archival information) from CVT PrePaid Solutions inception.
- CVT PrePaid Solutions has the ability to investigate and resolve PSP disputes.
- CVT PrePaid Solutions has designated personnel who are responsible for payphone compensation dispute resolution.

**FCC compliance § 64.1320(c) subsection (8) - Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial.**

- CVT PrePaid Solutions has procedures to identify payphone-originated calls.
- CVT PrePaid Solutions has procedures to capture dial-around calls.
- CVT PrePaid Solutions has procedures to exclude incomplete calls from the compensable call file.
- CVT PrePaid Solutions has procedures to accurately populate call record data in the compensable call file.
- CVT PrePaid Solutions has procedures to exclude commissioned calls from the compensable call file.

**FCC compliance § 64.1320(c) subsection (9)** - Whether the Completing Carriers has in place *adequate and effective business rules for implementing and paying payphone compensation, including rules used to:*

- (i) identify calls which originated from payphones;*
- (ii) identify compensable payphone calls;*
- (iii) identify incomplete or otherwise non-compensable calls; and*
- (iv) determine the identities of the payphone service providers to which the Completing Carrier owes compensation.*

- CVT PrePaid Solutions has business rules that identify calls originated from payphones.
- CVT PrePaid Solutions has business rules that identify compensable payphone calls.
- CVT PrePaid Solutions has business rules that exclude incomplete calls.
- CVT PrePaid Solutions has business rules to determine the identities of the payphone service providers to which CVT PrePaid Solutions owes compensation.



## V. REQUIRED DISCLOSURES

### CVT PrePaid Solutions' required disclosures per FCC 64.1320(d)

- CVT PrePaid Solutions' criteria for identifying calls originating from payphones include call record info-digit identification numbers "27", "29" or "70". In addition, originating ANI<sup>9</sup> is also used to identify payphones by including them in the records to be forwarded for compensation to CVT PrePaid Solutions accounting (current), or to a billing compensation clearinghouse if that procedure is implemented.
- CVT PrePaid Solutions' criteria for identifying compensable payphone calls include all calls with info-digits 27, 29 or 70 (or with a payphone-identified originating ANI), and call duration parameters as noted in the supplemental information<sup>10</sup> (SQL section and customer service record layouts). CVT PrePaid Solutions has no alternative compensation agreements (ACA) in place so no calls are excluded from the Compensable Call File.
- CVT PrePaid Solutions' criteria for identifying incomplete or otherwise non-compensable calls include:
  - 1) calls that do not have info-digits 27, 29 or 70 (or that are not from a payphone-identified originating ANI),
  - 2) calls which last less than, or are equal to, 60 seconds
- CVT PrePaid Solutions' criteria used to determine the identities of the PSPs to which CVT PrePaid Solutions owes compensation is established by CVT PrePaid Solutions' accounting department for settlements.
- The type of information that CVT PrePaid Solutions needs from the PSPs in order to compensate the PSPs is determined by CVT PrePaid Solutions' accounting department for settlements.

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<sup>9</sup> ANI (Automatic Number Identification) is a system utilized by telephone companies to identify the DN (Directory Number) of a calling subscriber.

ANI serves a function similar to Caller-ID, but utilizes different underlying technology. In addition, although Caller-ID can be blocked by prefixing a call with \*67, ANI is (usually) impossible to block.

ANI was originally developed for telephone company billing purposes. ANI technology is also now offered to commercial customers who may benefit from knowing who is calling them. In addition, ANI is one of the core technologies behind the 911 emergency service.

ANI data is usually transmitted in-band using multi-frequency (MF) signaling. However, ANI data can also be transmitted separately if you have an ISDN PRI.

<sup>10</sup> "Adjunct to Management Report on Compliance with Applicable Requirements of the FCC's Rules and Regulations"

## APPENDIX A

### GAGAS

1. Relationship between GAGAS and AICPA and other standards

(excerpt)

**1.09** GAGAS may be used in conjunction with professional standards issued by other authoritative bodies. For example, the American Institute of Certified Public Accountants (AICPA) has issued professional standards that apply in financial audits and attestation engagements performed by certified public accountants (CPA). GAGAS incorporate the AICPA's field work and reporting standards and the related statements on auditing standards for financial audits unless specifically excluded, as discussed in chapters 4 and 5. GAGAS incorporate the AICPA's general standard on criteria, and the field work and reporting standards and the related statements on the standards for attestation engagements, unless specifically excluded, as discussed in chapter 6. To meet the needs of users of government audits and attestation engagements, GAGAS also prescribe requirements in addition to those provided by the AICPA for these types of work.

**1.08** Auditors may provide professional services, other than audits and attestation engagements, that consist solely of gathering, providing, and explaining information requested by decision makers or by providing advice or assistance to officials of the audited entity. GAGAS are not applicable to non-audit services, which are described more fully in chapter 2. However, providing non-audit services may affect an audit organization's independence to conduct audits, which is discussed in chapter 3

**1.07** Even if not required to do so, auditors may find it useful to follow GAGAS in performing audits of federal, state, and local government programs as well as in performing audits of government awards administered by contractors, nonprofit entities, and other non-government entities. Many audit organizations not formally required to do so, both in the United States of America and in other countries, voluntarily follow GAGAS

## APPENDIX B

### References & Definitions as Required by this Report

(\*) except as noted in the details (Supplemental Information) section. In some cases, there may appear to be minor deviations to the regulations. For example, the rules imply the completing carrier have several persons doing specific jobs: A switch engineer (contact), and an IT manager (contact). In some carriers, this is the same person. Where this completing carrier exhibits these small discrepancies, they are so noted in the Supplemental Information section. They do not affect the integrity of the audit or the validity of the data.

#### Dial Around Compensable Rate:

The amount paid to the payphone operator by the completing carrier for a completed DAC call. The rate is currently included in the CVT PrePaid Solutions, accounting procedures. Changes will be made when required by the FCC.

#### Compensable Call:

A compensable call is a completed payphone-originated call.

#### Completed Call:

A call is considered completed when it has been answered.. But the definition is considerably more complicated than it would appear.. Calls from many of CVT PrePaid Solutions' customers are to destinations worldwide, in many cases where reliable call completion (answer supervision) may not always be available, reliable, or, is "simulated" by the foreign ILEC due to antiquated CPE equipment.. In the absence of positive answer supervision, or in addition to it, it appears completing carriers use a 60-second time period, which begins at the time the customer presses the last digit of the called telephone number, and includes all the switching times on the outbound leg plus on-hook ringing times at the receiver's end, and makes allowances for the lack of answer supervision signaling. In some cases the call actually never completes and the caller is left hanging with dead space in his ear. In this case, CVT PrePaid Solutions does not charge the caller, but, because the call exceeds 60 seconds, does consider the call compensable and includes the call in its compensable call record file.

This process varies widely by completing carrier. The details of the CVT PrePaid Solutions process are included in the Supplemental Information materials.

#### Clearinghouse

Third party entity that performs some of the functions required to compensate payphone owners

#### UTC:

Universal Coordinated Time (formerly known as Greenwich Mean Time)

#### Supplemental Information Section

As an adjunct to this audit, a significant amount of material is attached, including graphics and diagram plates, explaining each step in the data flow process. References in this portion of the audit to "details" are to this material. There are some references above to "exceptions". This is due to the wording of the FCC rulings where there might be some margin for interpretation. In some of the "exception" notations, the reasons are that the completing carrier uses a third party DAC provider like Billing Concepts, Inc. This means that, although responsibility still lies with the completing carrier, the PSP usually starts with BCI for compensation issues. If BCI cannot resolve the issues on behalf of the completing carrier, then the officer in charge at the completing carrier is brought into the loop. In many cases, BCI is able to handle the inquiry and the completing carrier is never even aware of the issue.

Similarly, the third party compensation service produces reports which aren't available to the completing carrier. The

third party compensation service also has access to PSP ANI's which are not available to the completing carrier.

These constitute "exceptions" to a possible strict interpretation of the rules and are so noted above, although they are not in any way implying a "failure to comply" by the completing carrier.

The Supplemental Information is available to the inquiring PSP at the completing carrier's offices.

## APPENDIX C

### Federal Communications Commission FCC 03-235

#### 64.1310 Payphone compensation procedures.

##### 64.1310 Payphone compensation procedures.

(a) Unless the payphone service provider agrees to other compensation arrangements, each Completing Carrier identified in section 64.1300(a) shall compensate the payphone service provider as follows:

- (1) Each Completing Carrier shall establish a call tracking system that accurately tracks coinless access code or subscriber toll-free payphone calls to completion..
- (2) Each Completing Carrier shall pay compensation to payphone service providers on a quarterly basis for each completed payphone call identified in the Completing Carrier's quarterly report required by section 64.1310(a)(4).
- (3) At the conclusion of each quarter, the chief financial officer of the Completing Carrier shall submit to each payphone service provider to which compensation is tendered a sworn statement that the payment amount for that quarter is accurate and is based on 100% of all completed calls that originated from that payphone service provider's payphones.
- (4) At the conclusion of each quarter, the Completing Carrier shall submit to the payphone service provider, in computer readable format, a report on that quarter that includes:
  - (A) A list of the toll-free and access numbers dialed from each of that payphone service provider's payphones and the ANI for each payphone;
  - (B) The volume of calls for each number identified in subparagraph (a)(4)(A) that were completed by the Completing Carrier; and
  - (C) The name, address, and phone number of the person or persons responsible for handling the Completing Carrier's payphone compensation.
  - (D) The carrier identification code ("CIC") of all facilities-based long distance carriers that routed calls to the Completing Carrier, categorized according to the subparagraph (a)(4)(A) list of toll-free and access code numbers.

(b) For purposes of this subpart, an Intermediate Carrier is a facilities-based long distance carrier that switches payphone calls to other facilities-based long distance carriers.

(c) Unless the payphone service provider agrees to other reporting arrangements, each Intermediate Carrier shall provide the payphone service provider with quarterly reports, in computer readable format, that include:

- (1) A list of all the facilities-based long distance carriers to which the Intermediate Carrier switched toll-free and access code calls;
- (2) For each facilities-based long distance carrier identified in paragraph (b)(1), a list of the toll-free and access code numbers that all local exchange carriers have delivered to the Intermediate Carrier and that the Intermediate Carrier switched to the identified facilities-based long distance carrier;
- (3) The volume of calls for each number identified in paragraph (b)(2) that the Intermediate Carrier has received from each of that payphone service provider's payphones, identified by their ANIs, and switched to each facilities-based long distance carrier identified in paragraph (b)(1); and
- (4) The name, address and telephone number and other identifying information of the person or persons for each facilities-based long distance carrier identified in paragraph (b)(1) who serves as the Intermediate Carrier's contact at each identified facilities-based long distance carrier.

## APPENDIX D

### FCC Federal Communications Commission FCC 03-235

#### FINAL RULES

##### § 64.1310 Payphone compensation procedures.

*Note: Section 64.1300 is amended by revising paragraph (a), adding a new paragraph (b), and redesignating prior paragraphs (b) and (c) as (c) and (d) to read as follows:*

(a) Unless the payphone service provider agrees to other compensation arrangements, each Completing Carrier identified in section 64.1300(a) shall compensate the payphone service provider as follows:

(1) Each Completing Carrier shall establish a call tracking system that accurately tracks coinless access code or subscriber toll-free payphone calls to completion.

(2) Each Completing Carrier shall pay compensation to payphone service providers on a quarterly basis for each completed payphone call identified in the Completing Carrier's quarterly report required by section 64.1310(a)(4).

(3) At the conclusion of each quarter, the chief financial officer of the Completing Carrier shall submit to each payphone service provider to which compensation is tendered a sworn statement that the payment amount for that quarter is accurate and is Based on 100% of all completed calls that originated from that payphone service provider's payphones.

(4) At the conclusion of each quarter, the Completing Carrier shall submit to the payphone service provider, in computer readable format, a report on that quarter that includes:

(A) A list of the toll-free and access numbers dialed from each of that payphone service provider's payphones and the ANI for each payphone;

(B) The volume of calls for each number identified in subparagraph (a)(4)(A) that were completed by the Completing Carrier; and

(C) The name, address, and phone number of the person or persons responsible for handling the Completing Carrier's payphone compensation.

(D) The carrier identification code ("CIC") of all facilities-based long distance carriers that routed calls to the Completing Carrier, categorized according to the subparagraph (a)(4)(A) list of toll-free and access code numbers.

(b) For purposes of this subpart, an Intermediate Carrier is a facilities-based long distance carrier that switches payphone calls to other facilities-based long distance carriers.

(c) Unless the payphone service provider agrees to other reporting arrangements, each Intermediate Carrier shall provide the payphone service provider with quarterly reports, in computer readable format, that include:

(1) A list of all the facilities-based long distance carriers to which the Intermediate Carrier switched toll-free and access code calls;

(2) For each facilities-based long distance carrier identified in paragraph (b)(1), a list of the toll-free and access code numbers that all local exchange carriers have delivered to the Intermediate Carrier and that the Intermediate Carrier switched to the identified facilities-based long distance carrier;

(3) The volume of calls for each number identified in paragraph (b)(2) that the Intermediate Carrier has received from each of that payphone service provider's payphones, identified by their ANIs, and switched to each facilities-based long distance carrier identified in paragraph (b)(1); and

(4) The name, address and telephone number and other identifying information of the person or persons for each facilities-based long distance carrier identified in paragraph (b)(1) who serves as the Intermediate Carrier's contact at each identified facilities-based long distance carrier.

(g) Each Completing Carrier and each Intermediate Carrier must maintain verification data to support their subparagraph (a)(4) and subparagraph (c) quarterly reports for 18 months after the close of that quarter. This data must include the time and date that each call identified in subparagraph (a)(4) and subparagraph (c) was made. This data must be provided to the payphone service provider upon request.

*Note: Section 64.1320 is amended by revising the Title, paragraphs (a) and (b), and by adding paragraphs (c), (d), (e), (f), and (g) to read as follows:*

§ 64.1320 Payphone Call Tracking System Audits.

(a) As a precondition to tendering payment pursuant to section 64.1310(a), all Completing Carriers must undergo a system audit of their section 64.1310(a)(1) tracking system by an independent third party auditor whose responsibility shall be, using audit methods approved by the American Institute for Certified Public Accountants, to determine whether the call tracking system accurately tracks payphone calls to completion.

(b) By the effective date of these rules, each Completing Carrier in paragraph (a) must file an audit report from the auditor (the "System Audit Report") regarding the Completing Carrier's compliance with section 64.1310(a)(1) as of the date of the audit with the Commission's Secretary in CC Docket No. 96-128 and with each payphone service provider for which it completes calls and with each facilities-based long distance carrier from which it receives payphone calls.

(c) The Completing Carrier must comply with, and the third-party auditor must verify, the Completing Carrier's compliance with the following factors in establishing a call tracking system pursuant to section 64.1310(a)(1):

- (1) Whether the Completing Carrier's procedures accurately track calls to completion;
- (2) Whether the Completing Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls;
- (3) Whether the Completing Carrier has effective data monitoring procedures;
- (4) Whether the Completing Carrier adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability;
- (5) Whether the Completing Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers;
- (6) Whether the Completing Carrier has procedures to incorporate call data into required reports;
- (7) Whether the Completing Carrier has implemented procedures and controls needed to resolve payphone compensation disputes;
- (8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial; and
- (9) Whether the Completing Carriers has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to:
  - (i) identify calls originated from payphones;

- (ii) identify compensable payphone calls;
- (iii) identify incomplete or otherwise noncompensable calls; and
- (iv) determine the identities of the payphone service providers to which the Completing Carrier owes compensation.

(d) Consistent with standards established by the American Institute of Certified Public Accounts for attestation engagements, the System Audit Report shall consist of:

- (1) the Completing Carrier's representation concerning its compliance; and
- (2) the independent auditor's opinion concerning the Completing Carrier's representation of compliance. The Completing Carrier's representation must disclose
  - (i) its criteria for identifying calls originating from payphones;
  - (ii) its criteria for identifying compensable payphone calls;
  - (iii) its criteria for identifying incomplete or otherwise noncompensable calls;
  - (iv) its criteria used to determine the identities of the payphone service providers to which the completing carrier owes compensation;
  - (v) the identity of any clearinghouses the Completing Carrier uses; and (vi) the types of information that the Completing Carrier needs from the payphone service providers in order to compensate them.

(e) At the time of the filing of System Audit Report with the Commission, the Completing Carrier shall file with the Commission's Secretary, and the facilities-based long distance carriers and payphone service providers identified in section 64.1320(b), a statement that includes the name of the Completing Carrier, and the name, address and phone number for the person or persons responsible for handling the Completing Carrier's payphone compensation and for resolving disputes with payphone service providers over compensation, and this statement shall be updated within 60 days of any changes of such persons.

(f) One year after the filing of the System Audit Report, and annually thereafter, the Completing Carrier shall engage an independent third-party auditor to:

- (1) verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or
- (2) if a material change has occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria set forth in subparagraph (c). The Completing Carrier must fully disclose any material changes concerning its call tracking system in its representation to the auditor. The Completing Carrier shall file and provide copies of all System Audit Reports pursuant to the procedures set forth in subparagraph (b).

(g) Subject to protections safeguarding the auditor's and the Completing Carrier's confidential and proprietary information, the Completing Carrier shall provide, upon request, to the payphone service provider for inspection any documents, including working papers, underlying the System